OIL COMPANY OF CANADA LIMITED

ANNUAL REPORT 1973

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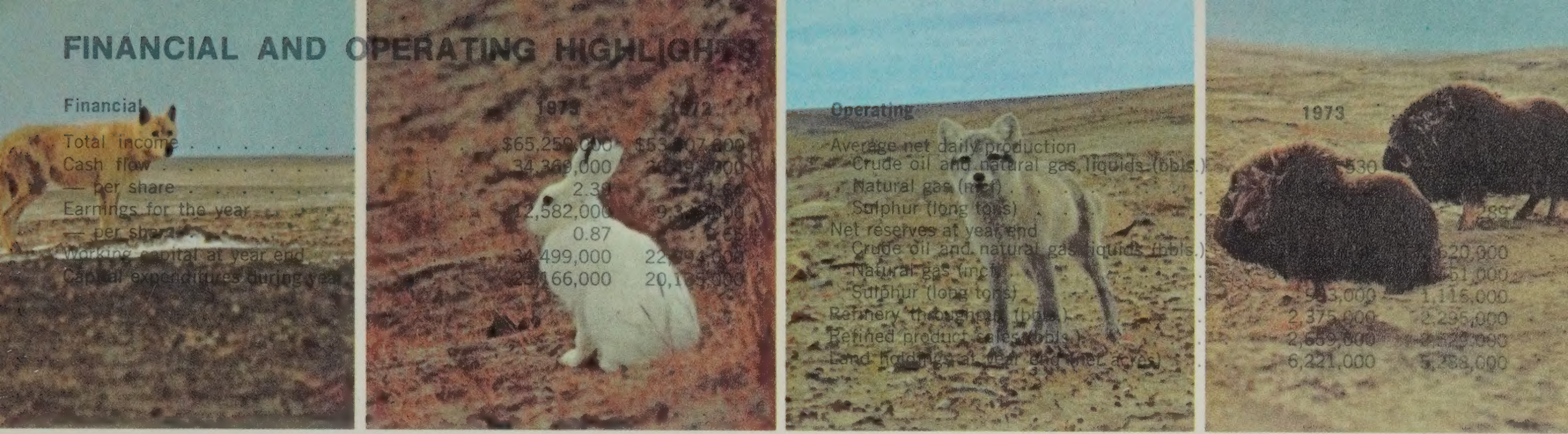
Union land interests are shown in red on maps

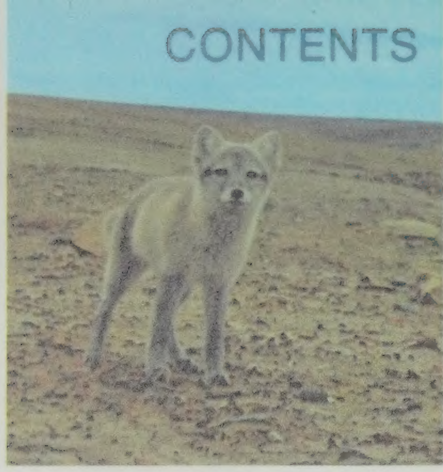
The cover and pictures of plants and animals in this report illustrate the variety of life which appears during the brief summer in the Canadian Arctic.

FINANCIAL AND OPERATING HIGHLIGHTS



Financial	1973	1972
Total income	$65,259,000	[illegible]
Cash flow	34,369,000	[illegible]
— per share	[illegible]	[illegible]
Earnings for the year	12,582,000	[illegible]
— per share	0.87	[illegible]
Working capital at year end	34,499,000	[illegible]
Capital expenditures during year	23,166,000	[illegible]

Operating	1973	1972
Average net daily production		
Crude oil and natural gas liquids (bbls.)	[illegible]	[illegible]
Natural gas (mcf)	[illegible]	[illegible]
Sulphur (long tons)	[illegible]	[illegible]
Net reserves at year end		
Crude oil and natural gas liquids (bbls.)	[illegible]	[illegible]
Natural gas (mcf)	[illegible]	[illegible]
Sulphur (long tons)	[illegible]	1,116,000
Refinery throughput (bbls.)	2,375,000	2,295,000
Refined product sales (bbls.)	[illegible]	[illegible]
Land holdings at year end (net acres)	6,221,000	[illegible]



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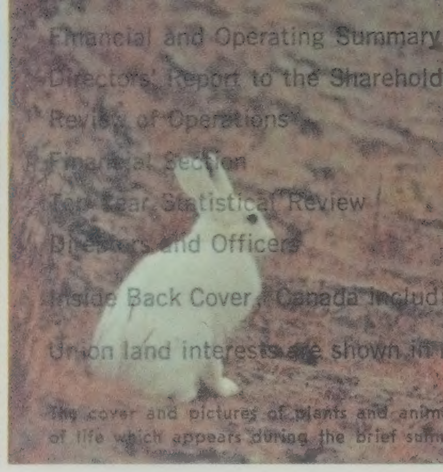
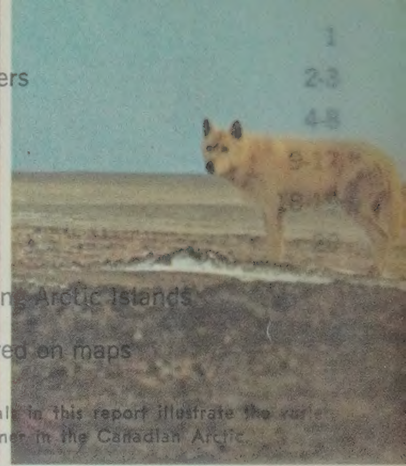




Union land interests are shown in red on maps

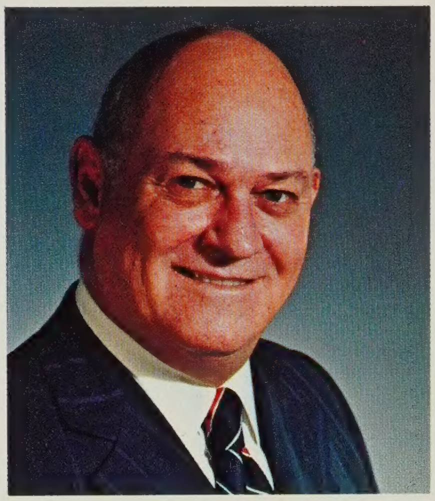
The cover and pictures of plants and animals in this report illustrate the surge of life which appears during the brief summer in the Canadian Arctic

FINANCIAL AND OPERATING HIGHLIGHTS

Financial	1973	1972
Total income	$65,259,000	$53,407,000
Cash flow	34,369,000	26,493,000
— per share	2.39	1.84
Earnings for the year	12,582,000	9,336,000
— per share	0.87	0.65
Working capital at year end	34,499,000	22,994,000
Capital expenditures during year	23,166,000	20,135,000

Operating	1973	1972
Average net daily production		
Crude oil and natural gas liquids (bbls.)	34,530	35,227
Natural gas (mcf)	63,952	57,794
Sulphur (long tons)	257	289
Net reserves at year end		
Crude oil and natural gas liquids (bbls.)	118,191,000	137,620,000
Natural gas (mcf)	544,676,000	538,451,000
Sulphur (long tons)	993,000	1,115,000
Refinery throughput (bbls.)	2,375,000	2,295,000
Refined product sales (bbls.)	2,659,000	2,529,000
Land holdings at year end (net acres)	6,221,000	5,288,000

TO THE SHAREHOLDERS



The year 1973 has been a very challenging and unusual one and as a consequence it is appropriate to bring to your attention some of the events which have confronted the Company during the past twelve months. The Company's financial position has shown substantial improvement and its operating performance reveals significant gains over previous years. Gross income for the year 1973 was $65.3 million, compared to $53.4 million in 1972. Cash flow increased to $34.4 million, as compared to $26.5 million for 1972. Net earnings for 1973 were $12.6 million, as compared with $9.3 million for 1972. The improved earnings during 1973 have permitted the Company to realize a return on shareholders equity of 8.6% for the year. While this return is an improvement over recent years it cannot, by today's standards, be considered adequate. However, continued improvement is expected during 1974.

Notwithstanding the strengthening of the Company's financial position, some of the major changes in attitudes and policies proclaimed by our governments have caused a great deal of uneasiness and uncertainty which cannot be looked upon as being healthy. The traditionally good government/industry relationship, which has facilitated the development of the oil industry, has been strained by government action.

The Company recognizes that there have been far reaching changes in the petroleum industry which will require industry and government to adapt their views and work towards common goals. However, unless the required adjustments can be accomplished through the combined efforts of all parties it will be difficult to provide the necessary additional energy requirements.

Oil companies have continued to reinvest earnings in exploration and development of new oil and gas reserves in spite of the fact that their return on investment has continually been below most other industries. It is difficult to appreciate why our elected officials have chosen to vigorously censure an industry that has been a vital and major contributor to the growth, prosperity and development of Canada.

The Company considers itself to be a very creative and responsive Canadian corporate citizen. It has approximately 350 employees, the majority of whom are shareholders in the Company. These employees are relying on their investment in the Company to help secure their future. Like most Canadians who have invested in the oil industry they have seen their investment depreciated to a very significant degree by government action. Governments have empowered themselves to rescind and vary contracts entered into in good faith. By setting this precedent an atmosphere of doubt and instability has been created. At a time when the industry should be encouraged and given every incentive to invest the further large amounts of required risk capital, our governments are embroiled in fundamental arguments over resource control and division of tax revenue. During these debates the industry has been the recipient of unreasonable criticism despite the fact that prices for petroleum products in Canada have not increased proportionately to the escalation of prices for other essential goods and services.

Our political leaders should realize that their actions are having a profound effect on the attitude and outlook of individuals who have chosen the oil industry for their career. These individuals have contributed

substantial portions of their lives to the growth and development of the industry. They deserve, it is suggested, a secure and pleasant atmosphere in which to continue to make their contribution to the industry, to their community, to their Province and to their Country. It is hoped that the creativeness, initiative, ingenuity and spirit of the thousands of people who are associated with, and who depend on, the oil industry are not diminished or destroyed unnecessarily. The Company would welcome a reversal in the upcoming year of the negative trends which have evolved during the past year so that the industry and governments can work together towards their common goal of securing Canada's energy position.

The Company is concerned about potential fuel shortages and has, during 1973, expanded its operations in a continued effort to establish significant new reserves. Frontier exploration has been increased and during 1974 the Company will be participating in 10 wells in frontier areas. Included in this program is an offshore venture which, jointly with other companies, will involve the drilling, with Union as operator, of four wells on the Scotian Shelf, off the Canadian east coast. Approximately 80% of our exploration budget for 1974 will be expended in frontier regions such as the Northwest Territories, the Canadian Arctic and the East Coast. The Company continues to evaluate coal and mineral prospects and is conducting additional studies to determine the reserve potential of its heavy oil leases and its Athabasca Oil Sands permit. Opportunities for foreign exploration are also being investigated.

The Company's proposed capital budget for 1974 is $30.2 million as compared to an actual expenditure of $23.2 million during 1973. This level of expenditure illustrates the Company's philosophy of reinvestment.

The performance of the refining and marketing operations of the Company have exceeded previous years. We have expanded our network of service stations to 101 and will continue to offer the best in petroleum products and service to the motoring public.

On July 31st, after 23 years of service, Mr. W. P. Taylor retired from his position of General Counsel and Secretary. The Board of Directors, by a special resolution, conveyed the Company's sincere thanks to Mr. Taylor for his distinguished and vigorous contribution to the growth and development of the Company. Mr. Richard G. Byers was appointed to succeed Mr. Taylor as General Counsel and Secretary, effective August 1, 1973.

The Company wishes to acknowledge and express its sincere gratitude to its employees who have again made a very conscientious and dedicated effort to see that Union Oil Company of Canada Limited maintains its growth and development. The Board extends to the employees its appreciation and thanks.

By Order of the Board

W.E. Dauer

President

February 14, 1974.

REVIEW OF OPERATIONS



Exploration

During 1973 the Company participated, directly and through farmouts, in the drilling of 45 exploratory wells, four of which were completed as oil wells and two as gas wells. The significance of the discoveries will be determined by development drilling planned during 1974.

Exploratory Wells

	1973		1972	
Union Participation	**Gross**	**Net**	**Gross**	**Net**
Oil	1	.5	—	—
Gas	—	—	4	2.3
Dry	23	15.4	18	12.1
	24	15.9	22	14.4
Farmouts				
Oil	3	.9	—	—
Gas	2	1.0	2	.4
Dry	16	4.7	16	—
	21	6.6	18	.4
TOTAL	45	22.5	40	14.8

Approximately 2,200 miles of seismic data were acquired through new surveys, purchase or trade. Gravity surveys covering 9,300 miles and magnetometer surveys covering 112,000 miles were acquired. At the end of the year Union held 6,220,731 net acres of leases, exploration permits and reservations, an 18% increase over 1972. In addition Union holds exploration options on 23,545,577 gross acres in the Northwest Territories, Arctic Islands and Scotian Shelf. Lands in the frontier regions on which applications for exploration permits have been made to the Federal government now total approximately 9,776,000 acres. Issuance of permits to explore on these lands has been deferred pending release of new Federal land regulations.

Surface geological mapping was carried out during the summer in the northern Yukon, in the Colville Lake-Anderson River region of the Northwest Territories and on Victoria Island in the Canadian Arctic.

Seismic and geological surveys were completed during 1973 on Union's 132,620 acre Wapiti prospect 20 miles southeast of the Grizzley Valley gas field in northeastern British Columbia. Present information indicates the presence of structures and reservoirs similar to those producing at Grizzley Valley. A 14,000 foot test well will be drilled on this acreage during 1974.

During 1973 the Company continued to expand its exploration program in Canada's frontier regions. In the Colville Lake-Anderson River region, between Great Bear Lake and the Arctic Coast, Union acquired control of 5,056,000 gross acres through options and acquisition of exploration permits from others. Union also holds exploration permits on 369,000 acres acquired earlier. The region is some 250 miles long by 150 miles wide. Only three wells have been drilled to date including one by Union in March, 1973. Large structures with significant potential reservoirs at

Land Holdings at December 31, 1973 (acres)

	Reservations and Permits*		Leasehold		Total	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Alberta	1,297,103	1,043,011	1,399,220	870,849	2,696,323	1,913,860
British Columbia	1,035,933	573,881	639,933	257,332	1,675,866	831,213
Manitoba	—	—	1,960	890	1,960	890
Newfoundland	820,096	410,208	—	—	820,096	410,208
Saskatchewan	1,280	427	331,830	146,249	333,110	146,676
N.W.T., Yukon, Arctic Islands, Offshore	4,805,072	2,707,120	435,244	210,764	5,240,316	2,917,884
TOTAL	7,959,484	4,734,647	2,808,187	1,486,084	10,767,671	6,220,731

* Approximately 50% of the area of each permit or reservation may be converted to lease.




depths less than 5,000 feet are known to be present. Interest is enhanced by shows of oil in the three wells drilled. Union has a seismic program and one exploratory well (Union IOL East Maunoir M-48) currently underway.

Northwest of the Colville Lake region, in the Anderson Plain region 150 miles east of Inuvik, Union is currently drilling an 8,900 foot Pre-Cambrian test (Union Wolverine H-34) on a 471,000 acre permit acquired from Yellowknife Bear Mines Ltd.

In the eastern Arctic Islands Union continued to expand its exploration program by acquiring, jointly with Atlantic Richfield Canada Ltd., a farmout option from Panarctic Oils Ltd. covering approximately three million acres on Ellesmere and Axel Heiberg Islands. The agreement provides for the drilling of one to five exploratory wells during the next five years. A seismic program is planned on these lands during 1974, in preparation for further drilling.

In 1972, the Company, with Panarctic Oils Ltd., Pembina Pipeline Ltd. and Imperial Oil Limited, commenced a three well drilling program on Axel Heiberg and Amund Ringnes Islands in the Canadian Arctic. The first two wells were abandoned and the third (Imp. Panarctic Union PP Sherwood P-37) is currently drilling. Two additional wells may be drilled on option blocks.

In December, 1973, Union, in association with Canadian Industrial Gas & Oil Ltd. and PanCanadian Petroleum Limited, entered into a farmout agreement with Shell Canada Limited to drill four exploratory wells on a 13,000,000 acre block on the Scotian Shelf, offshore from Nova Scotia. The agreement includes options to drill five additional wells to earn additional portions of the block. The initial four well program will be completed in 1974.

Union participated in a mineral exploration program in the southern Yukon and carried out a reconnaissance exploration program in the Mackenzie Mountains in the southwestern Northwest Territories on six exploration permits held 100% by Union.

The Company's core drilling analysis of coal properties filed on in 1973 will continue during the 1974 winter drilling season.

Production

DEVELOPMENT DRILLING

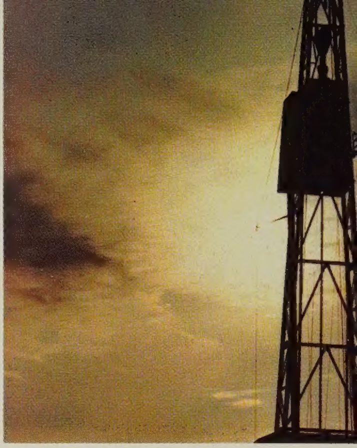
The Company participated in the drilling of 66 development wells, 33 in Alberta, 6 in British Columbia and 27 in Saskatchewan. Of the total number of wells 79% were successfully completed, 41 for oil production, 9 as natural gas wells, 2 for water injection service and 14 were abandoned. As in 1972, the most significant program was the continuation of infill and extension drilling on Company properties at Red Earth in Alberta, where 10 net oil wells were completed.

Development Wells

	1973		1972	
	Gross	Net	Gross	Net
Oil	41	14.6	30	8.2
Gas	9	1.3	9	3.6
Service	2	0.8	3	2.3
Dry	14	5.7	9	5.5
TOTAL	66	22.4	51	19.6

CRUDE OIL and NATURAL GAS LIQUIDS

Gross production of crude oil and natural gas liquids averaged 43,042 barrels per day, a gain of 2.8% over the comparable figure of 41,877 barrels per day in 1972. The increase is attributable to optimization of production facilities and new drilling in Alberta. Gains in Alberta continue to be offset by declines in productivity in most producing areas of British Columbia and Saskatchewan. Several unexpected operating problems reduced production below that anticipated for the year. These problems included an extended maintenance shut down at the Kaybob plant, a major fire on the Peace Pipe Line Ltd. system and



severe pro-rationing of southwestern Saskatchewan crude oil production late in the year.

Net production of crude oil and natural gas liquids averaged 34,530 barrels per day, a 2% decrease from 35,227 barrels per day in 1972. The Company's net crude oil production has been adversely affected by very substantial royalty increases in Alberta, British Columbia and Saskatchewan.

Production of Crude Oil and Natural Gas Liquids

	Average Gross Daily Barrels		Average Net Daily Barrels	
	1973	1972	1973	1972
Alberta . . .	24,376	21,287	20,186	17,994
British Columbia .	6,275	7,285	4,427	5,921
Manitoba . .	288	311	244	266
Saskatchewan	12,103	12,994	9,673	11,046
TOTAL . .	43,042	41,877	34,530	35,227

Revenue levels were assisted by several price increases during the year. The average price received in 1973 for crude oil and natural gas liquids was $3.30 per barrel, compared to $2.63 per barrel in 1972. Wellhead prices of crude oil and condensate were voluntarily frozen in September for the duration of the winter heating season. In October the Federal Government imposed an export tax of $0.40 per barrel which was increased to $2.20 on January 1st, 1974 and to $6.40 on February 1st. Additional levies on crude oil are expected in Alberta and Saskatchewan in 1974 and it is not clear how future revenues will be shared by the Federal and Provincial governments and industry.

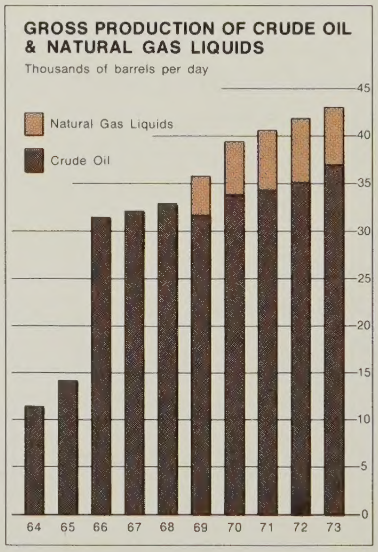
Royalties on production of natural gas liquids (condensate, propane, butane) were not increased during the year and demand, as expected, has continued to strengthen. Revenue from this source is expected to improve in 1974 although a royalty increase is expected in Alberta.

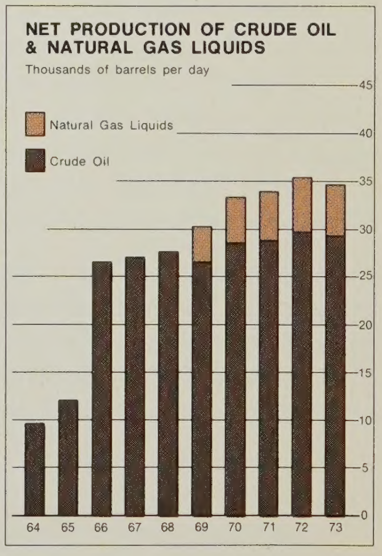
NATURAL GAS

Gross sales of natural gas averaged 72.9 million cubic feet per day as compared to 65.7 million cubic feet per day in 1972. Net sales of natural gas increased by 10.7% to 64.0 million cubic feet per day. The increase results from new production commencing during the second half of the year in British Columbia and Alberta. The average price received was 15.3 cents per thousand cubic feet, an increase of 2.9 cents over the average received in 1972. Price increases were received on July 1, for approximately 37% of the Company's production. This volume of gas is subject to price re-negotiation on July 1, 1974. Forty-six per cent of the Company's natural gas production is in British Columbia, and price increases of unknown magnitude for this gas are expected in early 1974. Natural gas has been severely underpriced and it is hoped that new prices will be only partially offset by anticipated higher royalties in both Alberta and British Columbia. A substantial net gain in British Columbia prices will permit the Company to commence production from a number of gas wells presently beyond economic reach.

Production of Natural Gas

	Average Gross MCF/Day		Average Net MCF/Day	
	1973	1972	1973	1972
Alberta . . .	36,142	35,275	32,060	31,589
British Columbia .	33,859	26,921	29,345	23,120
Saskatchewan	2,852	3,502	2,547	3,085
TOTAL . .	72,853	65,698	63,952	57,794





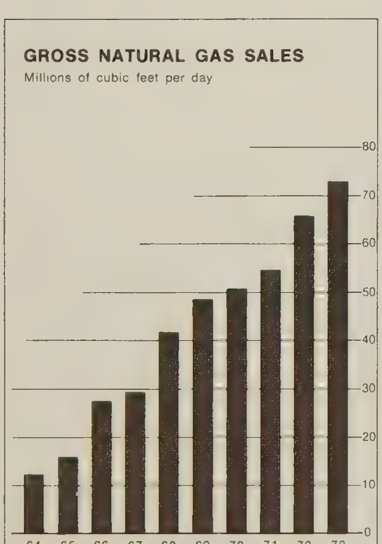
SULPHUR

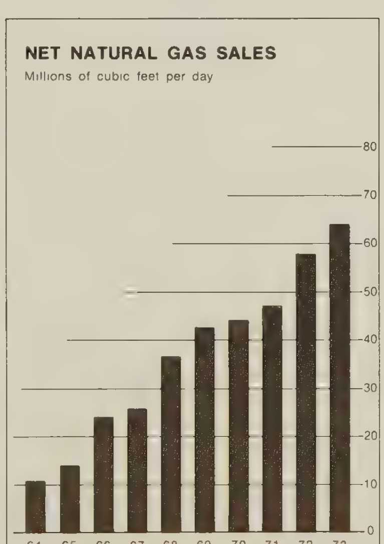
Gross and net sulphur production averaged 308 and 257 long tons per day respectively in 1973, compared to 346 and 289 long tons per day in 1972. Sulphur sales in 1973 averaged 268 long tons per day, representing 87% of gross production. Average net price received was $4.68 per long ton compared to $3.55 per long ton in 1972. It was apparent in 1973 that world demand was increasing and, considering the existing limitations to transportation facilities, a gradual improvement in sulphur prices is expected in 1974.

RESERVES

The Company's net proven developed and undeveloped reserves at year end, as calculated by its reservoir engineers, are summarized in the accompanying table.

The developed reserves are the quantities that can be recovered through existing facilities. Undeveloped reserves are the volumes estimated to be recoverable from wells to be drilled on proven undrilled acreage, as the result of re-completion operations, or as the result of the installation of new facilities for fluid injection or gas processing. Reserves of heavy oil, such as in the Athabasca oil sands, are not included.





Net Reserves

	1973	1972
Crude Oil and Natural Gas Liquids (bbls)	118,191,000	137,620,000
Natural Gas (mcf)	544,676,000	538,451,000
Sulphur (long tons)	993,000	1,115,000

The Company's remaining reserves of crude oil and natural gas liquids declined by 19,429,000 barrels in 1973 as additions did not replace production of 12.6 million barrels and 10.0 million barrels lost to higher royalties in Alberta, British Columbia and Saskatchewan. Exploration for natural gas met with more success and reserves found more than replaced production of 23.3 billion cubic feet.

ATHABASCA OIL SANDS

During 1972 the Company acquired a 50,000 acre Bituminous Sands Lease in the Athabasca oil sands area of northeastern Alberta. Events of the past year have demonstrated that alternate sources of hydrocarbon energy, such as oil sands, will become economic in the foreseeable future provided that a reasonable price can be obtained for the product. Core drilling is in progress on the property and exploitation plans are being developed for this very important asset.

Refining

Union's Prince George refinery processed 2,375,200 barrels of crude oil and condensate during the year, an average of 6,507 barrels per calendar day. A strong market demand for petroleum products developed during the latter part of 1973 and throughput to processing units was increased substantially, averaging over 7,500 barrels per calendar day in the last quarter.

The refining unit operated well throughout the year to produce a full range of motor gasolines, diesel fuels, heating fuels, asphalt paving cements and road oils. The Company's high product quality standards were maintained at all times in manufacturing these products.

With an expanded market for petroleum products it is expected that the refining unit at Prince George will operate at rated capacity during the upcoming year.

Marketing

Sales volume of refined petroleum products to all classes of trade was 75.0 million gallons for the year, an increase of 3.4% over the previous year. The Company's retail marketing system was expanded to 101 units and sales through these outlets were 16.7 million gallons, an increase in business of 13.6%.

The market for heavy fuel oil expanded rapidly in British Columbia as a shortage developed in offshore supply. Furthermore, demand for heavy fuel oil and furnace oil continued at a high level as a result of its increased use as an alternative energy source to natural gas. The orderly marketing of heavy fuel oil in British Columbia has been impeded for several years due to the unrealistically low price established for natural gas supplied to industrial consumers. Recent action by government to substantially increase the pricing structure for natural gas may encourage refiners in the Province to develop a stronger domestic supply capability for heavy fuel oil.

The pricing structure for grade gasolines, diesel fuels and heating oils was increased during the year to accommodate increases in the price of crude oil and condensate used in processing. Crude oil prices and dealer tank wagon prices for refined products have been subject to the voluntary price freeze since September. The industry therefore is having to absorb the increased costs for goods and services associated with manufacturing and marketing these products.

This Company's established policy of providing well designed service stations, properly maintained to provide clean attractive facilities for the motoring public, continues to be the hallmark of our retail marketing program. The Sparkle Girls were again a very helpful addition to the marketing organization in 1973. These young ladies provided valuable assistance to the lessee dealer organization in maintaining high standards of housekeeping and appearance of the attractive service stations in our system.

It is the Company's view that the use of discount practices to increase retail gasoline sales is not in the best interests of the franchised lessee dealers who provide a full range of automotive services to the motoring public. Our Company will continue to give strong support to its lessee dealer organization and it is hoped that the market for motor gasolines will stabilize as demand equates more evenly with supply.

The Company intends to expand the retail marketing organization in British Columbia and Alberta during the forthcoming year in areas where new representation will strengthen the marketing organization, increase sales and provide the best possible service to our customers.

Employees

The Company had 352 employees at year end, generating a payroll and benefits cost in excess of five million dollars, an increase of 10% over 1972. Service award emblems, for anniversary dates ranging between 5 and 25 years, were awarded to 30 employees in appreciation of their service.

A recruitment program was carried out at major universities for graduates with career interests in the resource industry. The Company employed 38 undergraduate students during the summer months in all departments of the Company, to provide practical education and exposure to the operation of an integrated oil company. Students from many parts of Canada, and one from Denmark, participated and many of these will be rehired. Union Oil will continue to make its contribution in assisting Canadian youth to pursue their careers.

Union Oil employees are actively contributing to industry and community endeavours in response to Company policies encouraging community involvement and participation. Organizations such as the United Fund directly involved about 30 employees. Approximately 50 employees participated in leading roles with the Chamber of Commerce, Junior Achievement and a wide variety of educational, sports and cultural service groups. The Company also participates in industrial and governmental study and research groups where employees' expertise and knowledge is sought. The employees have responded enthusiastically in these endeavours and their contributions have been greatly appreciated.

FINANCIAL

Net earnings for the year, after provision for deferred income taxes, were $12.6 million (87 cents per share), compared with $9.3 million (65 cents per share) in 1972.

Cash flow during 1973 totalled $34.4 million ($2.39 per share), an increase of 30% from $26.5 million ($1.84 per share), in 1972.

A comparative analysis of income from all sources follows:

	1973	1972
Sale of		
Crude oil and natural gas liquids	$41,569,000	$33,958,000
Natural gas	3,567,000	2,624,000
Sulphur	382,000	258,000
Refined products	16,742,000	14,258,000
Interest	1,481,000	800,000
Dividends from non-controlled companies	416,000	416,000
Profit (loss) on sale of assets	93,000	(30,000)
Facility rentals and service charges	729,000	642,000
Sale of seismic data	156,000	317,000
Miscellaneous	124,000	164,000
	$65,259,000	$53,407,000

Total expense for the year, excluding provision for deferred income taxes, was $51.9 million, an increase of $8.5 million, or 20%, compared to 1972. This change resulted from a 15% increase in cash expenses to $30.9 million and a 27% increase in non-cash expenses to $21.0 million. The increase in non-cash expenses is due to our significantly increased exploratory drilling program in frontier areas during 1973 and the resultant increase in dry hole write-off.

Capital expenditures are summarized below:

	1973	1972
Development	$ 6,198,000	$ 4,489,000
Exploration	15,778,000	14,465,000
Refining and Marketing	1,105,000	660,000
Other	85,000	521,000
	$23,166,000	$20,135,000

Funds generated during 1973 were sufficient to provide for the above capital expenditures and to add $11.5 million to the Company's working capital, which totalled $34.5 million at the end of the year.

The Company has no liability for income taxes at the present time. Provision for deferred income taxes is made in the accounts as described in Note 3 to the financial statements.

Financial statistics for the past ten years appear on pages 18 and 19 of this report. Per share figures for years prior to 1972 have been restated, for comparative purposes, to give effect to the three for one share split made in November of 1972.

CONSOLIDATED BALANCE SHEET

December 31, 1973
(with comparative figures at December 31, 1972)

Assets	**1973**	**1972**
Current Assets		
Cash	$ 875,000	$ 1,080,000
Short term deposits	28,753,000	19,365,000
Accounts receivable	14,169,000	9,134,000
Inventories (Note 5)		
Crude oil and natural gas liquids, sulphur and refined products	2,566,000	2,048,000
Materials and supplies	1,097,000	868,000
	47,460,000	32,495,000
Property, Plant and Equipment, at cost (Note 7)	187,523,000	177,506,000
Less: Accumulated amortization, depletion and depreciation	65,519,000	57,332,000
	122,004,000	120,174,000
Other Assets		
Long term receivables	559,000	540,000
Investment in non-controlled companies, at cost	954,000	954,000
Operating and performance deposits	664,000	781,000
Prepaid and deferred charges	1,370,000	1,142,000
	3,547,000	3,417,000
	$173,011,000	$156,086,000

Approved by the Board of Directors

Fred L. Hartley Director

W.E. Davis Director

Liabilities	1973	1972
Current Liabilities		
Accounts payable and accrued liabilities	$ 12,961,000	$ 9,501,000
Deferred Income Taxes (Note 3)	8,135,000	7,353,000
Shareholders' Equity		
Share Capital (Note 8)		
Authorized		
22,500,000 shares without par value		
Issued and fully paid		
1973 - 14,395,440 shares	4,920,000	
1972 - 14,385,940 shares		4,819,000
Contributed Surplus	73,318,000	73,318,000
	78,238,000	78,137,000
Earned Surplus	73,677,000	61,095,000
	151,915,000	139,232,000
	$173,011,000	$156,086,000

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Income		
Sales of crude oil and natural gas liquids, natural gas, sulphur and refined products	$ 62,260,000	$ 51,098,000
Other income	2,999,000	2,309,000
Total income	65,259,000	53,407,000
Expense		
Production	9,261,000	7,719,000
Exploration	1,469,000	1,525,000
Rentals on unproven lands	1,358,000	1,413,000
Amortization of unproven lands	3,793,000	3,936,000
Depletion	1,458,000	1,629,000
Depreciation	6,151,000	5,937,000
Dry holes and abandonments	9,603,000	5,001,000
Refining and marketing	15,187,000	12,802,000
General and administrative (Note 4)	3,615,000	3,455,000
Total expense	51,895,000	43,417,000
Earnings before provision for deferred income taxes	13,364,000	9,990,000
Provision for deferred income taxes (Note 3)	782,000	654,000
Earnings for the Year (per share — 1973 $0.87, 1972 $0.65)	$ 12,582,000	$ 9,336,000

CONSOLIDATED STATEMENT OF SURPLUS

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Contributed Surplus		
Paid-in premium on shares issued		
Balance January 1	$ 73,318,000	$ 73,292,000
Additions during the year	—	26,000
Balance December 31	$ 73,318,000	$ 73,318,000
Earned Surplus		
Net earnings retained in the business		
Balance January 1	$ 61,095,000	$ 51,759,000
Add: Earnings for the year	12,582,000	9,336,000
Balance December 31	$ 73,677,000	$ 61,095,000

CONSOLIDATED STATEMENT OF SOURCE AND EMPLOYMENT OF FUNDS

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Source of Funds		
Sales of crude oil and natural gas liquids, natural gas, sulphur and refined products, and other income	$ 65,259,000	$ 53,407,000
Less: Expenditures for production, exploration, rentals on unproven lands, refining and marketing and for general and administrative expense	30,890,000	26,914,000
Funds provided from operations	34,369,000	26,493,000
Issue of shares (Note 8)	101,000	51,000
Disposal of property, plant and equipment	331,000	272,000
	34,801,000	26,816,000
Employment of Funds		
Capital expenditures	23,166,000	20,135,000
Net increase in other assets	130,000	73,000
	23,296,000	20,208,000
Increase in Working Capital	$ 11,505,000	$ 6,608,000

NOTES TO THE FINANCIAL STATEMENTS

Note 1 — Summary of Accounting Practices

There have been no significant changes in the Company's accounting practices during the year.

The Company's accounting practice in respect of expenditures related to exploration and production is outlined below.

All such expenditures, with the exceptions noted, are charged to expense when incurred.

The cost of drilling wells, the cost of acquisition of oil and gas properties, the cost of geophysical surveys and the cost of production equipment and facilities are capitalized when incurred.

Subsequently,

- the cost of dry holes, and the cost of geophysical surveys which do not result in the acquisition or retention of lands, are charged to expense on an annual basis in accordance with the Company's experience.
- costs attributed to unproven lands, which include the cost of geophysical surveys which have resulted in acquisition or retention of lands, are amortized by charging to expense each year an amount calculated to write off these costs over the estimated period of retention of the lands concerned. When unproven lands are surrendered, the accumulated amortization is reduced by the costs attributed to such lands.
- costs of producing properties, including related geophysical costs, are charged to expense as depletion, which is calculated on a unit of production basis, using in the calculation total proven reserves, both developed and undeveloped.
- costs of drilling successful wells and costs of production equipment and facilities are charged to expense as depreciation, which is calculated on a unit of production basis. The reserves used in this calculation are proven, developed reserves. Depreciation on general facilities is calculated on a straight line basis.

Provision has been made for certain deferred income taxes, particulars of which appear in Note 3.

Note 2 — Principles of Consolidation

The consolidated financial statements include the accounts of Union Oil Company of Canada Limited and its wholly owned subsidiary, Union Oil Holdings Limited.

Note 3 — Income Taxes

Under the provisions of the Income Tax Acts, each of the Company and its subsidiary company may deduct its drilling and exploration expenses from current income. Any excess of such expenses in any year may be carried forward to apply against future income. In addition, the Acts authorize capital cost allowances which may be greater than the corresponding depreciation recorded in the companies' accounts. As a result of the application of these provisions, no income taxes were payable by either of the companies for 1973.

At December 31, 1973, accumulated drilling and exploration expenses totalling approximately $18,000,000 for both companies were carried forward for use in computing taxable income in future years. There remained at the same date approximately $23,700,000 of assets in respect of which capital cost allowances may be claimed. At December 31, 1972, the comparable figures were approximately $28,300,000 and $23,700,000.

Under the provisions of the income tax reform legislation which came into effect on January 1, 1972, certain expenditures made since November 7, 1969, may be carried forward for use in calculating depletion which may be applied in determining taxable income after 1976. At December 31, 1973, the accumulated amount of these expenditures, only 33⅓% of which may constitute earned depletion, was approximately $61,700,000 ($37,800,000 at December 31, 1972).

Following general practice in the industry, the Company makes provision in the accounts for the amount of income taxes deferred by reason of the difference between income tax calculations and financial accounting practice relative to depreciable assets. The amount provided for deferred income taxes is $782,000 for 1973 and cumulatively $8,135,000.

It is not considered appropriate at this time to provide for income taxes which are deferred by reason of differences between income tax calculations and financial accounting practice relative to drilling and exploration expenses. While this view conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the income tax allocation basis of accounting recommended by the Accounting Research Committee of The Canadian Institute of Chartered Accountants, which would also make provision for income taxes deferred by reason of timing differences relating to drilling and exploration expenses. No provision has been made in the Company's accounts for income taxes which might be considered to be deferred by reasons relative to such expenses. If the deferred tax theory had been followed with respect to drilling and exploration expenses, earnings in 1973 would have been reduced by $3,558,000 ($2,400,000 in 1972), and the cumulative amount of deferred income taxes in respect of such differences to December 31, 1973 would have been $16,829,000.

If the deferred tax theory had been followed in respect of timing differences relating to both depreciable assets and drilling and exploration expenses, the total provision for deferred taxes which would have been required for 1973 would have been $4,340,000 ($3,050,000 in 1972) and the cumulative amount of such provision at December 31, 1973 would have been $24,960,000 ($20,620,000 at end of 1972).

Note 4 — Remuneration Paid to Directors and Officers

Statement required by Canada Corporations Act:

(a) number of directors — five
aggregate remuneration as directors — $2,500

(b) number of officers — seven
aggregate remuneration as officers — $260,360

(c) number of officers who are also directors — two

Statement required by certain provincial Securities Acts:

Aggregate direct remuneration paid or payable by the Company and its consolidated subsidiary to the directors and senior officers of the Company amounted to $262,860.

Note 5 — Inventories

Valuation of inventories is at or below average cost but does not exceed net realizable value.

Note 6 — Commitments and Contingencies

In accordance with relevant regulations, the Company has issued non interest bearing demand notes which are on deposit with the governments of Canada and Alberta to guarantee the performance of exploratory work in respect of certain Crown oil and gas rights granted to the Company. These demand notes totalled $4,210,469 at December 31, 1973.

The Company is contingently liable for the payment of principal (to a maximum of $2,532,386 at December 31, 1973) and interest in respect of certain debentures of a pipeline company of which Union Oil Company of Canada Limited is a shareholder.

Note 7 — Property, Plant and Equipment

	at December 31, 1973			
	Gross investment at cost	Accumulated depletion, depreciation and amortization	Net investment	Net investment December 31, 1972
Unproven lands	$ 36,145,000	$ 5,915,000	$ 30,230,000	$ 26,456,000
Proven lands	37,606,000	21,565,000	16,041,000	17,022,000
Exploration work in progress	1,439,000	—	1,439,000	2,679,000
Oil and gas wells and facilities	64,857,000	25,438,000	39,419,000	38,006,000
Gas plants and facilities	16,775,000	6,206,000	10,569,000	11,298,000
Marketing sites and facilities	17,337,000	2,376,000	14,961,000	14,749,000
Refinery	10,224,000	2,940,000	7,284,000	7,737,000
Other facilities and equipment	3,140,000	1,079,000	2,061,000	2,227,000
	$187,523,000	$ 65,519,000	$122,004,000	$120,174,000

Note 8 — Share Capital

The following is a summary of shares issued during 1973:

	Number of Shares	Total Consideration	Amount Credited to Share Capital
Issued for cash pursuant to stock options granted in 1970	9,500	$101,175	$101,175

At December 31, 1973, options to purchase no par value shares of the Company were outstanding as follows:

	Held by		
Date of Grant	Officers (one of whom is a director)	Employees	Option Price
September 17, 1970	6,930	10,290	$ 10.65
December 8, 1972	16,800	9,025	18.00
September 9, 1973 (to an officer)	1,500	—	13.95
	25,230	19,315	

Option prices are 90% of the market price at the date of grant. In the case of the 1970 options, effect has been given to the three for one share split in November, 1972.

AUDITORS' REPORT

To the Shareholders of
Union Oil Company of Canada Limited

We have examined the consolidated balance sheet of Union Oil Company of Canada Limited and its wholly owned subsidiary as at December 31, 1973, and the consolidated statements of earnings, surplus and source and employment of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973, and the results of their operations and the source and employment of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, February 1, 1974.

Coopers & Lybrand
Chartered Accountants.

TEN YEAR STATISTICAL REVIEW

Per share figures for years prior to 1972 have been restated for comparative purposes to give effect to the three for one share split in November of 1972.

Financial (in thousands of dollars, except where otherwise specified)

	1973	1972	1971
Income from all sources	$ 65,259	$ 53,407	$ 47,790
Cash expense	30,890	26,914	23,226
Cash flow from operations	34,369	26,493	24,564
Dollars per share	2.39	1.84	1.71
Non-cash expense	21,005	16,503	13,823
Provision for deferred income taxes	782	654	960
Earnings for the year	12,582	9,336	9,781
Dollars per share	0.87	0.65	0.68
Non-recurring profit on sale of assets	—	—	—
Dollars per share	—	—	—
Working capital	34,499	22,994	16,386
Property, plant and equipment, net	122,004	120,174	116,815
Investments and other assets	3,547	3,417	3,343
Total assets employed	160,050	146,585	136,544
Loan and other liabilities	—	—	—
Accumulated provision for deferred income taxes	8,135	7,353	6,699
Shareholders' equity	151,915	139,232	129,845
Dollars per share	$ 10.55	$ 9.68	$ 9.03
Number of shares issued and outstanding (1972 and 1973 no par value, prior years $1 par value)	14,395,440	14,385,940	4,793,710
Number of shareholders	915	858	917
Capital expenditures			
Development drilling	$ 4,177	$ 1,515	$ 2,089
Oil, gas and gas plant facilities	2,021	2,812	2,350
Exploratory drilling	13,348	5,944	3,220
Geophysical surveys	1,088	2,616	1,770
Acquisition of oil and gas properties and other rights and interests	1,342	6,067	1,457
Refining	57	58	76
Marketing	1,048	602	1,629
Other	85	521	248
Total	$ 23,166	$ 20,135	$ 12,839

Operating

	1973	1972	1971
Average net daily production			
Crude oil and natural gas liquids (bbls.)	34,530	35,227	33,958
Natural gas (mcf)	63,952	57,794	47,128
Sulphur (long tons)	257	289	264
Net proven reserves			
Crude oil and natural gas liquids (thousands of bbls.)	118,191	137,620	147,576
Natural gas (mmcf)	544,676	538,451	510,065
Sulphur (long tons)	993,000	1,115,000	1,190,099
Land holdings (thousands of net acres)	6,221	5,288	5,519
Refinery throughput (bbls. per calendar day)	6,507	6,270	5,955
Number of employees	352	371	357

* *Proven developed reserves only*
** *First full year of operation*

1970	1969	1968	1967	1966	1965	1964
$ 40,703	$ 37,143	$ 30,896	$ 25,265	$ 23,947	$ 12,277	$ 8,939
20,773	17,112	14,223	8,133	6,994	3,451	3,107
19,930	20,031	16,673	17,132	16,953	8,826	5,832
1.39	1.39	1.16	1.19	1.19	0.82	0.54
12,740	12,180	11,417	10,279	10,575	5,537	4,624
1,050	700	1,741	1,190	(362)	546	451
6,140	7,151	3,515	5,663	6,740	2,743	757
0.43	0.50	0.24	0.39	0.47	0.25	0.07
1,257	—	—	—	—	12,087	—
0.09	—	—	—	—	1.12	—
4,756	755	(2,592)	8,083	12,574	13,535	(104)
117,946	114,933	108,192	93,240	82,213	74,942	51,208
2,964	3,567	3,764	2,785	2,225	1,986	773
125,666	119,255	109,364	104,108	97,012	90,463	51,877
—	2,040	—	—	101	23,367	167
5,739	4,689	3,989	2,248	1,058	1,420	874
119,927	112,526	105,375	101,860	95,853	65,676	50,836
$ 8.35	$ 7.83	$ 7.33	$ 7.09	$ 6.70	$ 6.08	$ 4.71
4,789,430	4,789,300	4,789,300	4,789,300	4,768,050	3,600,600	3,600,000
1,041	1,037	1,212	1,310	1,451	1,865	2,272
$ 2,130	$ 2,968	$ 5,276	$ 3,465	$ 4,436	$ 3,315	$ 2,182
3,412	3,202	12,039	1,592	2,680	1,426	1,072
2,444	1,226	1,796	1,685	2,426	1,511	839
3,009	1,611	1,914	3,331	1,633	360	290
1,629	3,858	934	2,591	27,196	1,554	1,409
127	1,286	337	6,125	1,893	278	—
2,417	4,618	3,970	2,576	994	—	—
798	337	158	170	110	103	30
$ 15,966	$ 19,106	$ 26,424	$ 21,535	$ 41,368	$ 8,547	$ 5,822
33,289	30,162	27,565	26,960	26,405	12,030	9,745
44,089	42,653	36,496	25,915	24,028	13,700	10,600
241	206	—	—	—	—	—
155,443	154,795	152,502	150,696	133,474	127,891	52,988*
472,506	466,168	454,384	405,796	403,274	367,879	275,129
1,240,613	1,317,771	1,278,279	1,241,202	659,279	249,129	—
5,681	6,628	7,397	6,169	5,377	5,825	1,576
5,143	5,720	4,061**	—	—	—	—
329	286	234	191	133	112	83

Directors

R. A. Burke
Senior Vice-President
Union Oil Company of California,
Los Angeles, California

W. E. Farrar
President,
Union Oil Company of Canada Limited,
Calgary, Alberta

Fred L. Hartley
President,
Union Oil Company of California,
Los Angeles, California

C. F. Parker
Senior Vice-President,
Union Oil Company of California,
Los Angeles, California

James M. Tory, Q.C.
Partner,
Tory, Tory DesLauriers and Binnington,
Toronto, Ontario

Officers

Fred L. Hartley
Chairman of the Board

W. E. Farrar
President

G. P. Salisbury
Vice-President, Exploration

C. W. Dumett, Jr.
Vice-President, Production

J. C. Browning
Vice-President, Refining and Marketing

R. G. Byers
General Counsel and Secretary

J. L. Maclagan
Treasurer, Comptroller,
and Assistant Secretary

Head Office
335 Eighth Avenue S.W.,
Calgary, Alberta

Transfer Agent and Registrar
The Royal Trust Company,
Calgary, Montreal, Toronto,
Winnipeg, Vancouver

Subsidiary
Union Oil Holdings Limited

Stock Exchange Listings
The shares of the Company are listed on the Toronto, Montreal, Vancouver and Calgary Stock Exchanges.

The acquisition of shares of the Company is exempt from the application of the United States Interest Equalization Tax Act.

Auditors
Coopers & Lybrand

Incorporated under the Laws of Canada

Directors

[illegible] A. Burke
[illegible]
[illegible] Oil Company of California
[illegible]es, California

[illegible]
[illegible] Canada Limited

[illegible]

Officers

Fred L. Hartley
Chairman of the Board

W. E. Ferrer
President

[illegible]
Vice President, [illegible]

[illegible] Durrett, Jr.
Vice President, Production

[illegible] Browning
Vice-President, [illegible] and Marketing

[illegible] Evans
[illegible] Counsel and Secretary

[illegible]
Treasurer, Controller
[illegible]

[illegible]
[illegible] Registrar
[illegible] Company
[illegible] Toronto
[illegible]

[illegible]
[illegible] are listed
[illegible] Toronto, Montreal, Vancouver
and Calgary Stock Exchanges

[illegible] acquisition of shares of the
Company is [illegible] from the
[illegible] United States
Interest Equalization Tax Act.

Auditors
Coopers & Lybrand

Incorporated under the Laws of Canada


BEAUFORT SEA
PRUDHOE BAY
INUVIK
FT. McPHERSON
North Magnetic Pole
VICTORIA ISLAND
BAFFIN ISLAND
GREENLAND
Arctic Circle
LABRADOR SEA
NORTHWEST TERRITORIES
YELLOWKNIFE
HUDSON BAY
ALBERTA
SASKATCHEWAN
MANITOBA
ONTARIO
QUEBEC
NEWFOUNDLAND
EDMONTON
CALGARY
REGINA
WINNIPEG
MONTREAL
P.E.I.
N.B.
U.S.A.
PACIFIC OCEAN
ATLANTIC OCEAN
LEGEND
AREAS IN WHICH THE COMPANY HAS OIL AND GAS RIGHTS
Scale: 1" = 200 miles

ALCRAFT - CALGARY
LITHOGRAPHED IN CANADA

INTERIM REPORT
JUNE 30, 1973

UNION OIL COMPANY OF CANADA LIMITED

to the shareholders

The financial results of operations for the first six months of 1973 show substantial improvement over those for the corresponding period of 1972. Net earnings were $6,178,000 ($0.43 a share) this year, $3,893,000 ($0.27 a share, adjusted for stock split) in 1972.

Cash flow totalled $15,868,000 ($1.10 a share), compared with $12,929,000 ($0.90 a share) in 1972.

Crude oil and condensate production for the first half year, averaging 33,693 barrels per day, is up over the corresponding period of 1972. This figure represents the Company's share of production after providing for the substantial provincial royalty increases (amounting, in the case of British Columbia, to more than 100% increase in the royalty payable by Union). The increased royalty rates have been effective in Alberta since the first of the year, in Saskatchewan since April 1, and in British Columbia since June 1. In the latter province, this increase reduced the Company's production by 900 barrels a day from its effective date. Condensate production was affected by operating problems experienced at the Kaybob plant.

Price increases of 25¢ a barrel for crude oil and 35¢ a barrel for condensate, effective May 1, helped to maintain revenue levels. Price increases for the portion (37%) of the Company's gas production sold to Alberta and Southern Gas Co. Ltd. have been negotiated and, effective July 1, 1973, will raise the sale price of gas sold to that company from an average of 16.7¢ to 25.5¢ per mcf. Contract prices are subject to renegotiation July 1, 1974, and every two years thereafter. There is no basis at this time to make any statement concerning the possibility of an increase in the sale price of the balance of the Company's gas production. It is expected that revenues from gas sales will be affected by increases, of unknown magnitude, in gas royalties which are known to be under consideration by certain provincial governments. Hopefully these increases will not be instituted before overall increases in gas prices are effected.

Exploratory drilling operations resulted in six dry holes in the quarter, three drilled by Union or Union and partners, and three drilled by others on Union lands under farmout agreements. The abandonments included the second Aklavik well (F-38) and the Colville D-45 in the Northwest Territories, and the Amoco Sundown a 10-A deep test in British Columbia, all mentioned in the report for the first quarter. At the date of the present report, Union was participating in the drilling of three exploratory tests, Imperial Panarctic Union PPL E Amund M-05, the second of a three-well program in the Arctic Islands, which was drilling below 5,310', the Union et al Nose Creek 13-32, in Alberta, the proposed 18,000' Devonian test, which was drilling below 16,180' in the Mississippian, and the Red Lodge well also in Alberta.

During the second quarter, eight development wells were drilled and completed as oil producers. Additional development drilling, planned for the Red Earth area of northern Alberta, was delayed due to a very wet spring, but will be commenced as soon as surface conditions make access possible.

union 76

UNION OIL COMPANY OF CANADA LIMITED
and its wholly owned subsidiary

In western Newfoundland, road building to provide access to Union's Anguille prospect is in progress. The proposed 6,000' test is expected to commence drilling in late July.

Due to the usual seasonal weather and surface conditions, no seismic work has been conducted since the previous report. However, 40,000 miles of aeromagnetic surveys in the Northwest Territories were acquired. Three geological field parties have started work in the northern Yukon, in the Horton River region of the Northwest Territories and on Victoria Island in the Arctic. Reconnaissance mineral exploration is in progress on six mineral exploration permits held 100% by Union in the Nahanni region in the southwestern portion of the Northwest Territories and on a joint venture in the Yukon (Union 25%), on a part of which trenching and drilling is also underway.

Permits and leases totalling 17,300 net acres were acquired in the three western provinces. Applications were filed for an additional 4,393,000 acres of exploration permits in the Northwest Territories, bringing the total under application by Union to 9,689,000 acres. The Federal Government is holding in abeyance the granting of these permits pending establishment of new oil and gas regulations.

Refinery throughput during the first half averaged 5,965 barrels per calendar day, with indications of a 6,800 barrel rate for the rest of the year.

Retail units in operation total 99, including newly opened company-owned stations at Grande Prairie and Jasper in Alberta and Castlegar in British Columbia. In addition, the Company established Union 76 franchises at seven independently owned locations in the two provinces and the Yukon. There are as well six marketing plants in operation.

Increased costs of raw material, in the form of rising crude oil prices, have resulted in rising prices for light products as well as for heavy fuel oil and asphalt products.

The market for petroleum products in Western Canada has been expanding rapidly for several years, so that overall demand and supply are now more nearly in balance. It is thought that the current demand-supply position will in some measure correct the unstable retail gasoline pricing structure that has existed in the Company's marketing region.

In spite of problems and difficulties resulting largely from government action respecting royalties, prices, rates of production and export, the Company anticipates a continuation of the satisfactory operating and financial results which have been achieved.

Calgary, Alberta
July 24, 1973

President

UNAUDITED

CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended June 30

EARNINGS

	1973	1972
INCOME		
Sales of crude oil, condensate, natural gas, liquefied petroleum gases, sulphur and refined products . . .	$28,037,000	$24,257,000
Other income	1,242,000	1,066,000
Total income	29,279,000	25,323,000
EXPENSE		
Operating, exploration, selling and general . .	12,705,000	11,556,000
Rentals on unproven lands	706,000	838,000
Amortization of unproven lands	1,787,000	1,890,000
Depletion and depreciation	3,732,000	3,786,000
Provision for dry holes and abandonments . .	3,845,000	3,000,000
Total expense . . .	22,775,000	21,070,000
EARNINGS before provision for deferred income taxes	6,504,000	4,253,000
Provision for deferred income taxes	326,000	360,000
NET EARNINGS	$ 6,178,000	$ 3,893,000

SOURCE AND EMPLOYMENT OF FUNDS

	1973	1972
SOURCE OF FUNDS		
Sales of crude oil, condensate, natural gas, liquefied petroleum gases, sulphur and refined products and other income	$29,279,000	$25,323,000
Less: Expenditures for production, exploration, rentals on unproven lands, refining and marketing and for general and administrative expense	13,411,000	12,394,000
Funds provided from operations . . .	15,868,000	12,929,000
Issue of shares	50,000	11,000
Disposal of property, plant and equipment .	155,000	201,000
	16,073,000	13,141,000
EMPLOYMENT OF FUNDS		
Capital expenditures . .	12,033,000	11,993,000
Net increase in other assets	289,000	228,000
	12,322,000	12,221,000
INCREASE IN WORKING CAPITAL	$ 3,751,000	$ 920,000

AR03

UNION OIL COMPANY OF CANADA LIMITED
and its wholly owned subsidiary

CONSOLIDATED FINANCIAL AND OPERATING RESULTS IN BRIEF

	1973	1972
	as at June 30	
Working capital	$ 26,745,000	$ 17,306,000
Outstanding shares	14,390,670	14,382,120
Shareholders' equity	$145,461,000	$133,749,000
per share	$10.11	$9.30
Net land holdings (acres) *Not including lands under application.*	5,090,284	5,492,963
	for the six months ended June 30	
Net earnings	$ 6,178,000	$ 3,893,000
per share	43¢	27¢
Cash flow	$ 15,868,000	$ 12,929,000
per share	$1.10	90¢
Capital expenditures	$ 12,033,000	$ 11,993,000
Net production - daily average		
Crude oil and condensate (bbls.)	33,693	32,586
Liquefied petroleum gases (bbls.)	1,449	1,559
Natural gas (mcf)	60,508	59,901
Sulphur (long tons)	243	282
Sulphur sales - daily average (long tons)	228	163
Refinery throughput - daily average (bbls.)	5,965	6,138

Per share figures and shares outstanding at June 30, 1972, have been re-stated for comparative purposes to give effect to the three-for-one share split in November 1972.

head office

335 - 8th Avenue S.W.
Calgary, Alberta

mail address

P.O. Box 999
Calgary, Alberta
T2P 2K6

refinery

Prince George, British Columbia

wholly owned subsidiary

Union Oil Holdings Limited

directors

R. A. BURKE
Senior Vice-President,
Union Oil Company of California,
Los Angeles, California

W. E. FARRAR
President,
Union Oil Company of Canada Limited,
Calgary, Alberta

FRED L. HARTLEY
President,
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